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ROMAN

Roman Corporation
Interim Report
June 30, 1982

ROMAN CORPORATION LIMITED

P.O. Box 40, Royal Bank Plaza
Toronto, Ontario

TO OUR SHAREHOLDERS:

Consolidated net earnings for the six months ended June 30, 1982 were \$3,542,000 (\$.36 per share) compared with \$10,258,000 (\$.98 per share) in the same period last year. Substantially all of the decline reflects earnings reported by Denison Mines Limited. Denison (34.6% owned) experienced lower earnings due principally to reduced gains from sales of portfolio investments and interests in mineral properties combined with higher interest, depreciation and uranium production costs.

Dividends from Denison have continued at the level of last year. It should be noted that, as a result of stringent requirements of Canadian banks related to financing of major projects, dividends from Denison may be curtailed if certain financial tests and ratios are not met.

Last year, shareholders received notice of the Company's intention to acquire up to 5 per cent of its issued shares in the open market with the repurchased shares to be cancelled. There have been 146,200 shares purchased. It has now been decided that the repurchased shares will not be cancelled at this time.

INVESTMENTS:

Denison Mines Limited: Earnings of Denison fell to \$17,397,000 from the \$37,607,000 reported in 1981. Gross revenues rose to \$303,168,000 from \$175,969,000 of last year. Several important financial steps were taken to facilitate major growth projects. Denison's current bank indebtedness is being reduced and its working capital strengthened through creation of a revolving, long-term bank loan of \$150 million, repayable from June, 1983 to 1989. As well, an agreement was reached with Canadian banks regarding the funds required to support Denison's portion of the recourse debt to be incurred by Quintette Coal Limited and Denison's portion of the equity contribution to be made by Quintette's shareholders. In connection with these agreements, a \$625 million collateral floating charge debenture is being given over Denison's assets, together with specific charges or assignments of certain assets.

Uranium: Full design production levels are being met at Elliot Lake. The expansion at the No. 1 and No. 2 shaft areas is complete and underground development at the Stanrock/Can-Met areas is progressing with completion expected by 1985.

Management emphasis continues to be placed on cost reductions by increasing ore volumes through the mill, strengthening the workforce through the addition of highly skilled personnel and improving ore grades (currently 1.62 pounds per ton). A recently completed service decline will provide access for planned recovery of a high grade pillar area as well as improving movement for mechanized equipment.

Oil and Gas:

Greece: The Prinos/South Kavala oil & gas operations have achieved their designed capacity, producing oil, gas, and sulphur for sale within Greece. Daily sales production in the first six months of 1982 averaged 21,000 barrels of oil, 1.7 million cubic feet of gas and 300 tons of sulphur. Two additional water injection wells are being drilled to assist in maintaining the planned oil production of 25,000 barrels daily.

Production tests required under the Prinos project loan agreement have been satisfactorily completed and evaluation of the installed facilities is underway in connection with the designation of a portion of the loan as non-recourse.

An appraisal well is being drilled in the Prinos development area and has encountered significant shows of sweet oil and gas. Several other prospects in the areas east and west of the Island of Thassos have been identified as drillable. Under the current drillship contract, up to three wells may be drilled in 1982 and the contract may also be extended to include further wells.

Spain: At mid-July oil production from the Casablanca offshore field (12.5% interest) was 18,200 barrels daily. Development drilling, from a recently installed fixed platform, has

resulted in one completed well which is producing 2,200 barrels daily. The previous two seafloor wells have now been connected to the fixed platform.

Full oil production, at 45,000 barrels daily, is expected to be achieved in the first half of 1983. Further seismics will be conducted over the field to assist in determining whether more than three development wells are required.

United States: Offshore Louisiana, combined net production from Ship Shoal Block 320, West Cameron Blocks 624 and 625 is 9.2 million cubic feet of gas per day. Onshore Louisiana, an oil well drilled in the Wilcox formation is on test production.

Canada: Production in the first half of 1982 averaged 3,300 barrels of oil and 13.2 million cubic feet of natural gas per day. Eight new development wells were drilled at Edson and one at Bigoray, Alberta. Production from these wells qualifies for higher new oil prices.

Coal:

Quintette Coal Limited: Denison will increase its interest in Quintette to 50% in conjunction with the purchase of a 10% equity interest by the Japanese steel industry and a 5% interest by Sumitomo Corporation.

Additional contracts were signed in June, 1982 for sales of 20 million tonnes of thermal coal to Nippon Kokan K.K. and Mitsui Mining Co. Ltd. With these additional contracts, Quintette has now sold all of its annual production of 6.3 million metric tons of coal for the first 15 years of mine operation. Financing of up to \$1.3 billion has been arranged with a group of Canadian, Japanese and French banks for the Quintette coal project.

This mega project is one of the few being undertaken in Canada at this time.

Seagull Petroleum Limited: At mid-year, your Company's investment in Seagull remains at U.S. \$5,000,000 represented by five convertible debentures. Over the near term, a decision will be made as to whether all or any part of these debentures will be converted into shares or into direct property interests of Seagull.

The most notable development relates to the recent acquisition of one hundred per cent of shareholders' interest in two European companies which hold two concessions in the western desert of Egypt. Four wells have been drilled on one concession and a commercial discovery has been declared with estimated reserves of 12.7 million barrels of oil. Seagull's net revenue interest is approximately 27%. A recent exploratory well on the second concession was unsuccessful and evaluation studies are continuing.

Offshore Italy, near Sicily, a second well is currently being drilled to determine the extent of Vega reservoir. Another step-out well is being planned for early 1983.

Onshore Italy, Seagull holds a 2.5 per cent overriding royalty in two concessions on which significant oil discoveries have been made.

In the United States, activities continue in Texas and Louisiana. Net oil and gas revenues for this reporting period amounted to U.S. \$1,268,000.

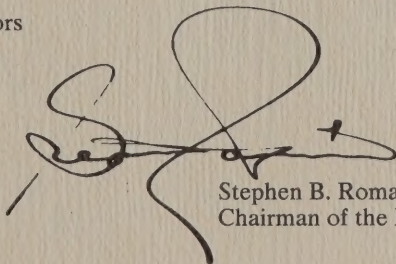
OPERATIONS:

Strathcona Paper Company: Due to very poor markets for boxboard and a temporary break down in operations, your division's profitability fell to about one-third of that achieved in the same period of 1981. Clay-coated board continues to be the mainstay of Strathcona's product line and represents 49% of tonnage sold.

The previously announced \$6 million expansion is on budget and the second phase will be completed this September, on schedule. This capital expenditure will enable your division to participate fully in the market growth when the economy improves.

On Behalf of the Board of Directors

Toronto, Ontario
August 11, 1982



Stephen B. Roman
Chairman of the Board

ROMAN CORPORATION LIMITED

CONSOLIDATED INTERIM REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 1982

	1982	1981
	\$	\$
SUMMARY OF EARNINGS		
Gross Income:		
Sales	10,005,000	10,765,000
Investment and other income	5,103,000	11,755,000
	<u>15,108,000</u>	<u>22,520,000</u>
Earnings before taxes	3,262,000	10,842,000
Provision for income taxes		
Current (recoverable)	(280,000)	537,000
Deferred	—	47,000
	<u>(280,000)</u>	<u>584,000</u>
Net earnings for the period	<u>3,542,000</u>	<u>10,258,000</u>
Per Share Information:		
Net earnings for the period	\$.36	\$.98

STATEMENT OF CHANGES IN FINANCIAL POSITION

Sources of Working Capital

Current Operations		
Net earnings for the period	3,542,000	10,258,000
Items not affecting working capital in the period —		
Depreciation	345,000	308,000
Deferred taxes	—	47,000
Dividends received, less share of income determined by the equity method	1,300,000	(4,956,000)
	<u>5,187,000</u>	<u>5,657,000</u>

Uses of Working Capital

Purchase of long-term investments	1,194,000	3,709,000
Additions to fixed and other assets	2,841,000	339,000
Dividends	—	2,608,000
Purchase of treasury stock	—	466,000
	<u>4,035,000</u>	<u>7,122,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>1,152,000</u>	<u>(1,465,000)</u>